

ual demands had been made upon them for specie, and that, from the small amount which remained at the time of suspension, the whole of it must have been drawn out in a few days. While the minority of the committee therefore, are gratified in expressing the belief, that the banks are in such a condition, as to secure their creditors and stockholders from loss, they are nevertheless of opinion, that errors have been committed in their past management, and in their recent course; and to give their reasons for that opinion, is the object of this separate report.

For some time previous to May 1837, the banking capital of the United States had been so much increased, that it was generally apprehended, that serious evils would be the result. A number of new banks were established in Baltimore, as well as in other parts of the state. Their subscriptions were paid principally in bank checks and bills, which enabled them to draw for such an amount of specie as would authorise them to commence operations. As soon as they began to discount to their customers, their notes passed into the possession of the old banks, and their specie followed as a matter of course. In some cases perhaps, the new banks commenced operations with the notes of the old ones; and considered the amount for which they were entitled to draw, as so much gold and silver paid into their vaults. In neither case was the actual capital of Baltimore or of the state increased. The bank operations were extended, while the specie basis remained nearly the same. Under such circumstances, as the number of banks were increased, the business of each should have been curtailed. But as new charters had been granted, upon the ground that additional capital was required, it is not surprising that loans and discounts were accordingly enlarged; and this was as much the fault of the Legislature as of the banks. Though the operations of some of the old banks were contracted, yet the loans and discounts of the whole number were progressively increased from April 1836, to the period of examination. The business of the whole country had been increased at the same time by a still greater multiplication of banks in other places; and most people, mistaking the effect for the cause, believed that the increase of trade required a still greater extension of loans and discounts. There is a point beyond which the circulation of paper money can never be carried, without producing a demand for specie. The whole business of a country requires a certain amount of currency; and when there is no paper money, it is supplied with gold and silver coin. One of the advantages of banking is, that a large portion of this expensive medium can be replaced by bank bills, and thus converted into an instrument of foreign commerce. But the paper of every kind, which can be kept permanently in circulation, can never exceed in value the gold and silver of which it supplies the place. When it exceeds that amount, as the excess can neither be sent abroad nor used at home, it begins to return upon the banks. A run is then made for gold and silver, not merely for the excess, but for a much greater amount.